



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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December 12 2005

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SUBJECT: December 10, 2005 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$1,339.5 million in the November 11–December 10, 2005 collection period. Collections were \$5.0 million (0.4 percent) above the estimate for the month. Real estate activity continues to be stronger than expected and real estate excise tax payments again exceed the forecast. Property tax, estate tax and cigarette tax receipts were also a little higher than expected this month. Revenue act (retail sales, business and occupation, use and public utility) taxes, as well “other” revenue (primarily unclaimed property transfers and brokered natural gas tax payments) were a little less than expected this period. Recent economic data indicates that the economy remains strong and tax payments this month indicate that the November revenue forecast is on track.

Recent economic news has been generally positive. Revised third quarter real GDP data indicates higher growth (4.3 percent) in the third quarter than was first indicated. Third quarter growth was the best since the first quarter of 2003 and higher than assumed in the November forecast. Employment numbers were strong in November. U.S. economy added 215,000 jobs in November, up significantly from September (+17,000) and October (+44,000). While September and October jobs numbers were depressed by the impact of the Gulf Coast hurricanes, the strong GDP number indicates that Katrina and Rita had less of an impact on the broader economy than first thought. Other positive news includes an increase in the index on leading indicator in October and an improvement in the index of consumer confidence in November.

Revenue Act collections were \$4.7 million less than expected this month. Tax payments this period primarily reflect October 2005 activity of month taxpayers. Collections this month included an unusually large (\$3.3 million) and unexpected audit payment. Revenue act growth decelerated this month. Revenue Act receipts were 7.3 percent higher than a year-ago (adjusted for special factors). This was the smallest increase since February 2005. Last month Revenue act collections increased 12.0 (revised) percent and they were up 12.5 percent two months ago. Revenue Act growth can be very volatile on a monthly basis and it is too early to know for sure if this month’s deceleration is an aberration or if it reflects real trend. Despite this month’s slower growth, Revenue Act growth has averaged 10.7 percent in the last three months and 9.7 percent in the last twelve months.

Industry detail is available for the November 11 to December 10, 2005 collection period based on preliminary payment data of 14,700 taxpayers who filed electronically. The data again shows some slowing in the retail trade sector but moderate to strong growth in most other major sectors. Businesses in the retail trade and food

services sector reported a 4.4 percent year-over year increase in tax payments this month. This was the weakest gain since December 2003. Last month this sector was 5.7 percent higher than a year-ago. The slowdown in the retail trade sector was again primarily due to weak auto sales, although tax payments by electronic and appliance stores were also weak. This month auto dealers reported a 3.7 percent decline in tax payments; last month the decline was 0.9 percent. Electronics and appliance stores reported a 0.5 percent decline in tax payments; last month this sector reported an 8.8 percent year-over-year increase. Excluding auto dealers, tax payments from businesses in the retail trade sector and food stores were up 7.4 percent. Several retail sectors remained very strong. Double digit gains were reported by gasoline and convenience store retailers (+20.5 percent), furniture and home furnishing retailers (+10.6 percent), building materials/garden supply stores (+13.9 percent), non-store retailers (+13.6 percent), and apparel stores (+11.4 percent). Overall, tax payments by non-retail trade and food services were 7.8 percent higher than a year ago. Last month this category reported a 12.9 percent increase. Sectors with double digit increases include: construction (+19.3 percent) and finance and insurance (+18.1 percent). The manufacturing sector reported a 3.7 percent drop in tax payments and the utility sector reported a 0.6 percent year-over year-decline. The impact of the strong real estate market continues to effect overall spending. Construction/real estate related sectors (construction, building materials/hardware, furniture and home furnishings, electronics and appliances) again grew much faster (+14.7 percent) than other sectors (+4.0 percent).

Non-Revenue Act General Fund taxes were \$9.7 million more than the estimate for the month. Higher than expected real estate excise tax payments (+\$7.5 million), property taxes (+\$5.7), cigarette taxes (+\$342,000), and estate (+\$1.0 million) more than offset weaker than expected liquor taxes (-\$83,000) and "other" payments (-\$4.8 million). The variance in the "other" category was primarily due to less than expected unclaimed property transfers and brokered natural gas tax payments.

Although there is some anecdotal evidence of slowing in real estate activity, there is little evidence of any slowing based on the most recent month of taxable real estate activity. Taxable real estate activity in the most recent month (closings in October which reflect tax payments to the state in November) were 33.6 percent higher than a year-ago. Although it was less than the 45.5 percent increase the prior month it was similar to the 38.4 increase reported two months ago. The majority of the increase was again due to an increase in the value per transaction (+23.9 percent). The growth of transactions was also strong, increasing 7.8 percent from the year-ago month.

Department of Licensing General Fund-State collections, which primarily reflect payments of various licenses and fees, were \$55,000 above the estimate for the month.

The attached Table 1 provides a comparison of collections with the November 2005 forecast for the November 11 – December 10, 2005 collection period and cumulative since the November forecast.

The variance for the month is virtually the same as the cumulative variance in Table 1 because the monthly estimates based on the November forecast have been adjusted to reflect actual collections through November 10, 2005. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS: cg
Attachments

TABLE 1
Revenue Collection Report
December 10, 2005 Collections Compared to the November 2005 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
Nov. 11 - Dec. 10, 2005				
Department of Revenue-Total	\$1,334,287	\$1,339,221	\$4,934	0.4%
Revenue Act** (1)	775,255	770,535	(4,720)	-0.6%
Non-Revenue Act(2)	559,032	568,686	9,653	1.7%
Liquor Sales/Liter	11,529	11,446	(83)	-0.7%
Cigarette	3,798	4,140	342	9.0%
Property (State School Levy)	418,591	424,254	5,664	1.4%
Estate	104	1,124	1,020	NC
Real Estate Excise	83,867	91,395	7,528	9.0%
Timber (state share)	2,651	2,681	30	1.1%
Other	38,493	33,645	(4,847)	-12.6%
Department of Licensing (2)	201	256	55	27.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,334,489	\$1,339,477	\$4,989	0.4%
Cumulative Variance Since the November 2005 Forecast (Nov. 11, 2005 - Dec. 10, 2005)				
Department of Revenue-Total	\$1,334,287	1,339,221	4,934	0.4%
Revenue Act** (3)	775,255	770,535	(4,720)	-0.6%
Non-Revenue Act(4)	559,032	568,686	9,653	1.7%
Liquor Sales/Liter	11,529	11,446	(83)	-0.7%
Cigarette	3,798	4,134	336	8.9%
Property (State School Levy)	418,591	424,255	5,665	1.4%
Estate	104	1,124	1,020	NA
Real Estate Excise	83,867	91,395	7,528	9.0%
Timber (state share)	2,651	2,681	30.4	1.1%
Other	38,493	33,650	(4,843)	-12.6%
Department of Licensing (4)	201	256	55	27.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,334,489	\$1,339,477	\$4,989	0.4%

1 Collections November 11 - December 10, 2005. Collections primarily reflect October 2005 activity of monthly taxpayers.

2 November 1-30, 2005 collections.

3 Cumulative collections, estimates and variance since the November 2005 forecast; (November 11 - December 10, 2005) and revisions to history.

4 Cumulative collections, estimates and variance since the November 2005 forecast; (November 2005) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the November 2005 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
November 10, 2005 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
October 11 - November 10, 2005				
Department of Revenue-Total	\$1,132,113	\$1,132,113	\$0	0.0%
Revenue Act (1)	952,536	952,536	0	0.0%
Non-Revenue Act(2)	179,577	179,577	0	0.0%
Liquor Sales/Liter	16,949	11,476	(5,473)	-32.3%
Cigarette	4,456	4,456	(0)	-0.0%
Property (State School Levy)-net	11,563	11,563	0	0.0%
Estate	(11)	(11)	0	-1.1%
Real Estate Excise	86,652	86,652	0	0.0%
Timber (state share)	0	0	0	NA
Other	59,968	65,441	5,473	9.1%
Department of Licensing (2)	3	3	(0)	-2.9%
Lottery (2)	1,852	1,852	(0)	NA
Total General Fund-State***	1,133,968	1,133,968	\$0	0.0%
Cumulative Receipts: September 11 - November 10, 2005 & Revisions to History				
Department of Revenue-Total	\$2,045,405	\$2,045,405	(\$0)	-0.0%
Revenue Act (3)	1,767,767	1,767,767	0	0.0%
Non-Revenue Act(4)	277,638	277,638	(0)	-0.0%
Liquor Sales/Liter	31,557	26,044	(5,513)	-17.5%
Cigarette	9,280	9,275	(5)	-0.1%
Property (State School Levy)-net after transfer	(821)	(822)	(1)	0.2%
Estate	1,969	1,969	0	0.0%
Real Estate Excise	168,998	168,998	0	0.0%
Timber (state share)	0	0	0	NA
Other	66,655	72,174	5,519	8.3%
Department of Licensing (4)	872	487	(385)	-44.1%
Lottery (4)	1,852	1,852	(0)	NA
Total General Fund-State***	\$2,048,129	\$2,047,744	(\$385)	-0.0%

Preliminary. Reported in the October 10, 2005 collection report.

1 Collections Sept. 11 - Oct. 10, 2005. Collections primarily reflect August 2005 business activity of monthly taxpayers.

2 Sept. 1-30, 2005 collections.

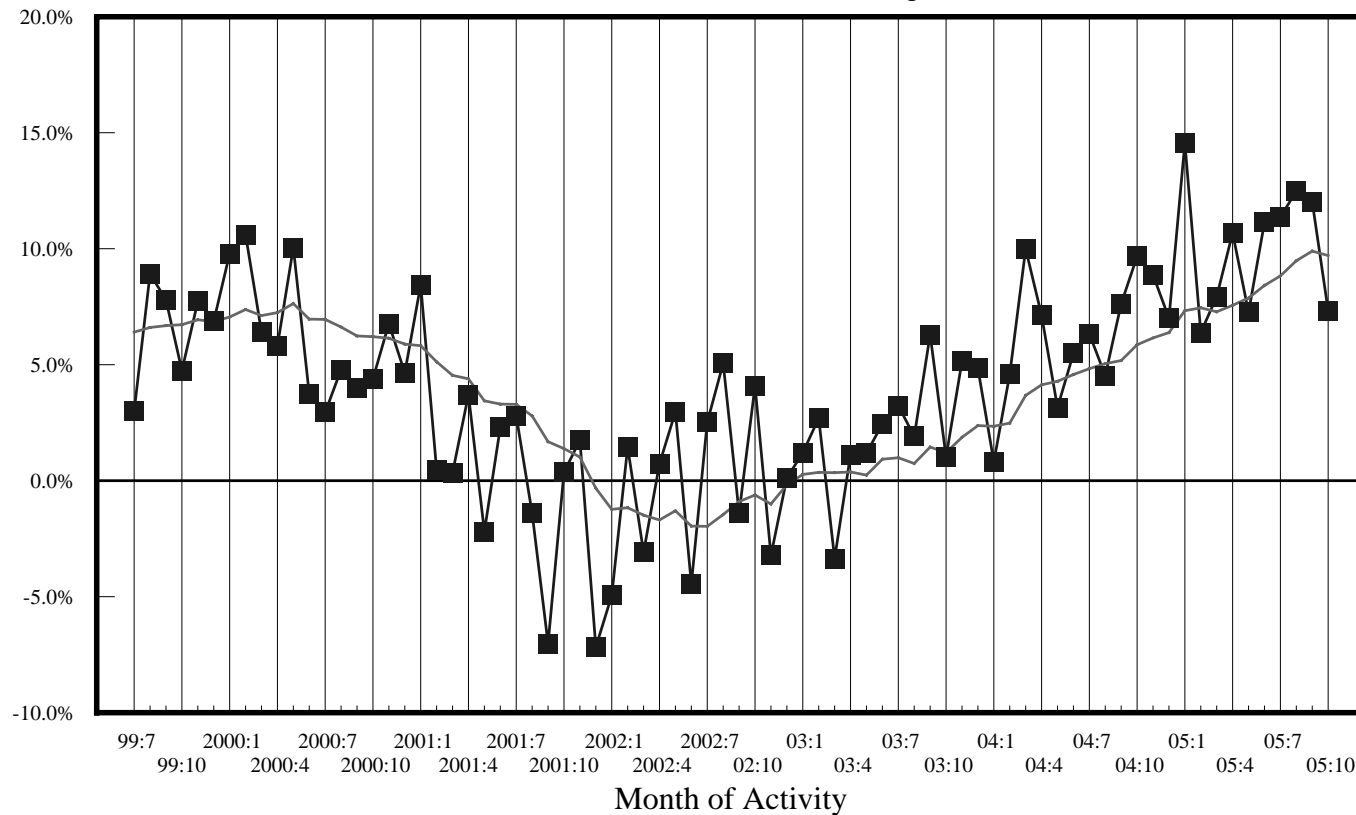
3 Cumulative receipts since the Sept. 2005 forecast: Sept. 11-Oct. 10, 2005 & revisions to history.

4 Cumulative receipts since the Sept. 2005 forecast (September 2005) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month — 12 month moving ave.

*adjusted for new legislation and special factors